

**VILLAGE OF ELLSWORTH, MICHIGAN**

**FEBRUARY 29, 2004**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Ellsworth</b>	County <b>Antrim</b>
Audit Date <b>2/29/04</b>	Opinion Date <b>5/19/04</b>	Date Accountant Report Submitted to State <b>June 18, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BAIRD, COTTER AND BISHOP, P.C.</b>			
Street Address <b>134 W. HARRIS STREET</b>	City <b>CADILLAC</b>	State <b>MI</b>	ZIP <b>49601</b>
Accountant Signature 		Date	

VILLAGE OF ELLSWORTH, MICHIGAN  
FEBRUARY 29, 2004

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CERTIFIED PUBLIC ACCOUNTANTS

May 19, 2004

INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Ellsworth, Michigan

We have audited the accompanying general-purpose financial statements of the Village of Ellsworth, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Village of Ellsworth, Michigan's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to in the first paragraph present fairly the financial position of the Village of Ellsworth, Michigan, at February 29, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 19, 2004, on our consideration of the Village of Ellsworth's internal control structure and compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF ELLSWORTH, MICHIGAN

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUP

FEBRUARY 29, 2004  
WITH COMPARATIVE TOTALS FOR FEBRUARY 28, 2003

		<u>GOVERNMENTAL FUND TYPES</u>	
		<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
<u>ASSETS</u>	<u>ASSETS AND OTHER DEBITS</u>		
Cash		\$ 125,686	\$ 38,668
Receivables			
Accounts		0	0
Taxes		338	0
Due from Other Governmental Units		0	19,805
Due from Other Funds		3,807	5,000
Inventory		0	0
Restricted Assets		0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)		0	0
<u>OTHER DEBITS</u>			
Amount to be Provided for Retirement of General Long-Term Debt		0	0
<b>TOTAL ASSETS AND OTHER DEBITS</b>		<b>\$ 129,831</b>	<b>\$ 63,473</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

<u>PROPRIETARY FUND TYPES</u>  ENTERPRISE	GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS	TOTALS (MEMORANDUM ONLY)	
		2004	2003
\$ 54,256	\$ 0	\$ 218,610	\$ 206,568
5,893	0	5,893	6,431
0	0	338	338
0	0	19,805	15,984
0	0	8,807	4,152
2,000	0	2,000	2,000
66,487	0	66,487	67,440
755,677	0	755,677	758,365
0	5,059	5,059	2,934
<u>\$ 884,313</u>	<u>\$ 5,059</u>	<u>\$ 1,082,676</u>	<u>\$ 1,064,212</u>

VILLAGE OF ELLSWORTH, MICHIGAN

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUP

FEBRUARY 29, 2004  
WITH COMPARATIVE TOTALS FOR FEBRUARY 28, 2003

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 19,008	\$ 1,043
Due to Other Funds	0	8,253
Payroll Withholdings	386	0
Equipment Note Payable	0	0
Payable from Restricted Assets		
Current Portion of Revenue Bonds	0	0
Accrued Liabilities	5,020	0
Water Supply System Revenue Bonds Payable	0	0
Total Liabilities	<u>\$ 24,414</u>	<u>\$ 9,296</u>
<u>FUND EQUITY</u>		
Contributed Capital		
Municipality	\$ 0	\$ 0
Federal Government	0	0
Retained Earnings	0	0
Fund Balance		
Reserved for Recreation Programs	0	662
Unreserved	105,417	53,515
Total Fund Equity	<u>\$ 105,417</u>	<u>\$ 54,177</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 129,831</u>	<u>\$ 63,473</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

PROPRIETARY FUND TYPES	GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS	TOTALS (MEMORANDUM ONLY)	
		2004	2003
ENTERPRISE			
\$ 610	\$ 0	\$ 20,661	\$ 8,076
554	0	8,807	4,152
0	0	386	408
10,783	5,059	15,842	24,500
7,000	0	7,000	6,000
554	0	5,574	5,287
339,000	0	339,000	346,000
<u>\$ 358,501</u>	<u>\$ 5,059</u>	<u>\$ 397,270</u>	<u>\$ 394,423</u>
\$ 5,853	\$ 0	\$ 5,853	\$ 5,853
486,405	0	486,405	499,350
33,554	0	33,554	35,327
0	0	662	2,033
0	0	158,932	127,226
<u>\$ 525,812</u>	<u>\$ 0</u>	<u>\$ 685,406</u>	<u>\$ 669,789</u>
<u>\$ 884,313</u>	<u>\$ 5,059</u>	<u>\$ 1,082,676</u>	<u>\$ 1,064,212</u>

## VILLAGE OF ELLSWORTH, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES

YEAR ENDED FEBRUARY 29, 2004  
WITH COMPARATIVE TOTALS FOR YEAR ENDED FEBRUARY 28, 2003

			TOTALS	
	GENERAL	SPECIAL REVENUE	(MEMORANDUM ONLY)	
			2004	2003
<u>REVENUES</u>				
Taxes	\$ 76,905	\$ 0	\$ 76,905	\$ 73,423
Licenses and Permits	350	0	350	635
Federal Grant	14,485	0	14,485	0
State Grants	52,767	70,592	123,359	121,317
Contributions from Local Units	0	3,000	3,000	3,000
Charges for Services	0	431	431	275
Interest and Rents	48,927	274	49,201	51,934
Other Revenue	37,826	850	38,676	18,188
Total Revenues	\$ 231,260	\$ 75,147	\$ 306,407	\$ 268,772
<u>EXPENDITURES</u>				
Legislative	\$ 55,409	\$ 0	\$ 55,409	\$ 7,856
General Government	106,351	0	106,351	143,951
Public Safety	1,132	0	1,132	983
Public Works	15,317	46,115	61,432	82,003
Community and Economic Development	2,387	0	2,387	3,929
Health and Welfare	3,500	0	3,500	3,659
Recreation and Cultural	18,540	7,352	25,892	24,121
Other Functions	13,932	0	13,932	12,404
Debt Service	6,037	0	6,037	10,673
Total Expenditures	\$ 222,605	\$ 53,467	\$ 276,072	\$ 289,579
Excess of Revenues Over (Under) Expenditures	\$ 8,655	\$ 21,680	\$ 30,335	\$ (20,807)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	\$ 0	\$ 6,700	\$ 6,700	\$ 1,700
Operating Transfers Out	(1,700)	(5,000)	(6,700)	(1,700)
Total	\$ (1,700)	\$ 1,700	\$ 0	\$ 0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 6,955	\$ 23,380	\$ 30,335	\$ (20,807)
<u>FUND BALANCE</u> - Beginning of Year	98,462	30,797	129,259	150,066
<u>FUND BALANCE</u> - End of Year	\$ 105,417	\$ 54,177	\$ 159,594	\$ 129,259

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES

YEAR ENDED FEBRUARY 29, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 70,000	\$ 76,905	\$ 6,905
Licenses and Permits	450	350	(100)
Federal Grant	18,000	14,485	(3,515)
State Grants	50,825	52,767	1,942
Contributions from Local Units	0	0	0
Charges for Services	0	0	0
Interest and Rents	44,950	48,927	3,977
Other Revenue	45,100	37,826	(7,274)
Total Revenues	\$ 229,325	\$ 231,260	\$ 1,935
<u>EXPENDITURES</u>			
Legislative	\$ 47,180	\$ 55,409	\$ (8,229)
General Government	110,710	106,351	4,359
Public Safety	2,100	1,132	968
Public Works	17,000	15,317	1,683
Community and Economic Development	4,300	2,387	1,913
Health and Welfare	3,500	3,500	0
Recreation and Cultural	18,325	18,540	(215)
Other Functions	12,450	13,932	(1,482)
Debt Service	7,055	6,037	1,018
Total Expenditures	\$ 222,620	\$ 222,605	\$ 15
Excess of Revenues Over (Under) Expenditures	\$ 6,705	\$ 8,655	\$ 1,950
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 0	\$ 0
Operating Transfers Out	(1,700)	(1,700)	0
Total	\$ (1,700)	\$ (1,700)	\$ 0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 5,005	\$ 6,955	\$ 1,950
<u>FUND BALANCE - Beginning of Year</u>	85,000	98,462	13,462
<u>FUND BALANCE - End of Year</u>	\$ 90,005	\$ 105,417	\$ 15,412

The accompanying notes are an integral part of these financial statements.

# EXHIBIT C

SPECIAL REVENUE FUND TYPES		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
64,000	70,592	6,592
3,000	3,000	0
431	431	0
275	274	(1)
850	850	0
<u>\$ 68,556</u>	<u>\$ 75,147</u>	<u>\$ 6,591</u>
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
52,650	46,115	6,535
0	0	0
0	0	0
6,856	7,352	(496)
0	0	0
0	0	0
<u>\$ 59,506</u>	<u>\$ 53,467</u>	<u>\$ 6,039</u>
\$ 9,050	\$ 21,680	\$ 12,630
\$ 6,700	\$ 6,700	\$ 0
(5,000)	(5,000)	0
<u>\$ 1,700</u>	<u>\$ 1,700</u>	<u>\$ 0</u>
\$ 10,750	\$ 23,380	\$ 12,630
29,300	30,797	1,497
<u>\$ 40,050</u>	<u>\$ 54,177</u>	<u>\$ 14,127</u>

VILLAGE OF ELLSWORTH, MICHIGANCOMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPEYEAR ENDED FEBRUARY 29,

	2004	2003
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 60,742	\$ 59,916
Other Revenue	23,453	15,156
Total Operating Revenues	\$ 84,195	\$ 75,072
<u>OPERATING EXPENSES</u>		
Administration and General	\$ 11,285	\$ 9,946
Plant	68,840	49,014
Total Operating Expenses	\$ 80,125	\$ 58,960
Operating Income (Loss)	\$ 4,070	\$ 16,112
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 2,589	\$ 4,597
Interest Expense	(21,376)	(21,744)
Total Nonoperating Revenues (Expenses)	\$ (18,787)	\$ (17,147)
Net Income (Loss)	\$ (14,717)	\$ (1,035)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisition and Construction that Reduces Contributed Capital	12,944	12,944
Increase (Decrease) in Retained Earnings	\$ (1,773)	\$ 11,909
<u>RETAINED EARNINGS</u> - Beginning of Year	35,327	23,418
<u>RETAINED EARNINGS</u> - End of Year	\$ 33,554	\$ 35,327

The accompanying notes are an integral part of these financial statements.

## VILLAGE OF ELLSWORTH, MICHIGAN

COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE

YEAR ENDED FEBRUARY 29,

	2004	2003
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Operating Income (Loss)	\$ 4,070	\$ 16,112
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 27,985	\$ 26,299
(Increase) Decrease in Current Assets		
Accounts Receivable	539	(867)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(814)	787
Due to Other Funds	(346)	899
Salaries Payable	(141)	695
Total Adjustments	\$ 27,223	\$ 27,813
Net Cash Provided by Operating Activities	\$ 31,293	\$ 43,925
Cash Flows from Capital and Related Financing Activities		
Payment of Revenue Bond	\$ (6,000)	\$ (6,000)
Principal Payments - Equipment Contract	(10,783)	(10,785)
Equipment Loan Proceeds	0	32,350
Purchase of Equipment	0	(32,350)
Addition To Water System	(25,298)	0
Interest Payment	(21,376)	(21,744)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (63,457)	\$ (38,529)
Cash Flows from Investing Activities		
Interest on Investments	\$ 2,589	\$ 4,597
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (29,575)	\$ 9,993
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>150,318</u>	<u>140,325</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 120,743</u>	<u>\$ 150,318</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Village of Ellsworth, Michigan, is a general law village incorporated under the General Village Act of 1895. Under the criteria established by generally accepted accounting principles, the Village has determined that there are no component units which should be included in its reporting entity.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Village are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Village has no record of its general fixed assets which would be recorded in the general fixed asset account group.

The Village has the following fund types and account groups:

Governmental funds are used to account for the Village's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

Governmental funds include the following fund types:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specified purposes (not including expendable trusts or major capital projects).

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds include the following fund type:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

ACCOUNT GROUP

The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary funds.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by this Village states that the Village Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

- c. In commercial paper rated prime at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
  - d. Repurchase agreements consisting of instruments listed in subdivision (a).
  - e. Bankers' acceptances of United States banks.
  - f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.
  - g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54789, 15 U.S.C.80a-1 to U.S.C.80a-3 and 80e-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the village treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
  - h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
  - i. Investment pools organized under the surplus funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
2. Receivables and Payables

All outstanding balances between funds at the end of the fiscal year are reported as "Due To/From Other Funds."

All trade receivables in the Water Fund are shown without an allowance for uncollectibles because delinquent amounts attach as a lien against the benefited property which assures their eventual collection.

3. Inventories

Inventories of the Water Fund are reported at the lower of cost or market using the first-in/first-out method.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

4. Restricted Assets

The \$66,487 restricted assets in the Water Fund represents monies required under the bond ordinance for the following:

<u>ITEM</u>	<u>ACTUAL</u>	<u>AMOUNT REQUIRED</u>
Bond and Interest Redemption Fund	\$ 25,000	\$ 5,298
Bond Reserve Account	36,489	33,000
Special Purpose Account	5,001	5,000
Total	\$ 66,487	\$ 43,298

5. Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

6. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

7. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund elimination's have not been made in the aggregation of this data.

8. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

9. Fixed Assets

Property, plant and equipment in the proprietary fund of the Village are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary fund of the Village using the straight-line method over the following estimated useful lives:

Water Systems	33 and 50 Years
Machinery and Equipment	5-10 Years

10. Use of Estimates

This presentation of financial statements in conformity with generally accepted accounting principles requires the Village to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end.

The appropriated budget is prepared by fund and activity. The Village council exercises budgetary control over expenditures.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to March 1, the clerk submits, to the Village Council, proposed operating budgets for all funds of the Village for the fiscal year.
2. The Village Council adopts a resolution approving the budgets.
3. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
4. During the year, the budget is monitored and amendments to the budget are made when it is deemed necessary.
5. Budget amounts as presented are as originally adopted on February 10, 2003, or as amended by the Village council from time to time throughout the year.
6. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following fund:

Recreation Fund expenditures of \$7,352 exceeded appropriations of \$6,856 by \$496. This over expenditure was funded by available fund balance.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

The Village's deposits and investments are held separately by several of the Village's funds. At year-end, a total of \$76,466 of the Village's \$283,201 of total investments and deposits are in accounts which exceed federal depository insurance and are uncollateralized. The remaining \$206,735 is insured. At year-end, the carrying amount of the Village's deposits was \$285,097 and the bank balance was \$283,201.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

The Village's deposits at year-end were in both the Citizens Bank and Charloviox State Bank, Charlevoix, Michigan as follows:

Demand Accounts	\$ 137,478
Certificates of Deposit	<u>147,619</u>
	\$ <u>285,097</u>

**B. Fixed Assets**

A summary of Proprietary Fund Type fixed assets at February 29, 2004, follows:

	<u>ENTERPRISE</u>
Buildings	\$ 29,337
Machinery and Equipment	50,643
Water Systems	<u>1,156,172</u>
Total	\$ 1,236,152
Less Accumulated Depreciation	<u>480,475</u>
NET	\$ <u>755,677</u>

**C. Long-Term Debt**

Revenue Bonds - The Village issued revenue bonds to provide funds for the acquisition and construction of a water system. These bonds are reported in the proprietary fund because they are to be repaid from proprietary fund revenues.

Other Long-Term Debt - The Village has entered into installment notes payable with a local financial institution to finance the purchase of equipment. These notes are payable from the governmental funds and proprietary fund of the Village.

The following is a summary of the long-term debt transactions of the Village for the year ended February 29, 2004:

	EQUIPMENT NOTES PAYABLE	REVENUE BONDS	TOTAL
Long-Term Debt Payable at March 1, 2003	\$ 24,500	\$ 352,000	\$ 376,500
Additions to Long-Term Debt	8,000	0	8,000
Long-Term Debt Retired	<u>(16,658)</u>	<u>(6,000)</u>	<u>(22,658)</u>
Long-Term Debt Payable at February 29, 2004	\$ <u>15,842</u>	\$ 346,000	\$ <u>361,842</u>

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

Long-term debts at February 29, 2004, are comprised of the following individual amounts:

\$8,000 Note for Equipment to Charlevoix State Bank Due in Monthly Installments of \$345 through June 10, 2005, Interest at 3.25%	\$	5,059
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\$32,350 Note for Equipment to John Deere Credit Due in Monthly Installments of \$899 through March 5, 2005, Interest Free Loan		10,783
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Revenue Bonds:

\$410,000 Water Supply System Revenue Bonds Due in Annual Installments of \$7,000 to \$30,000 through September 1, 2025; Interest at 6.125%		<u>346,000</u>
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	\$	<u>361,842</u>
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The annual payments to amortize all debt outstanding as of February 29, 2004, including interest payments of \$291,909, are as follows:

<u>YEAR ENDING</u> <u>FEBRUARY 28,</u>	<u>EQUIPMENT</u> <u>NOTES PAYABLE</u>	<u>REVENUE</u> <u>BONDS</u>	<u>TOTAL</u>
2005	\$ 14,927	\$ 27,978	\$ 42,905
2006	1,035	27,549	28,584
2007	0	28,089	28,089
2008	0	27,599	27,599
2009	0	28,079	28,079
2010-2025	<u>0</u>	<u>498,500</u>	<u>498,500</u>
	\$ <u>15,962</u>	\$ <u>637,794</u>	\$ <u>653,756</u>

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

**D. Interfund Receivables and Payables**

The composition of interfund balances as of February 29, 2004 is as follows:

Due To/From Other Funds:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General Fund	Water Fund	\$ 554
General Fund	Local Street	3,253
Local Street	Major Street	<u>5,000</u>
		\$ <u>8,807</u>

**IV. OTHER INFORMATION**

**A. Property Tax**

The Village levied 11.00 mills on a taxable value of \$6,918,616 on the 2003 tax roll. Property taxes attach as an enforceable lien on property as of January 1. The Village bills its property taxes in July of each year and collects them through September 14, at which time they are returned delinquent to Antrim County.

**B. Interest Income and Expenses**

For the year ended February 29, 2004, interest income on deposits and investments, and interest expense is summarized as follows:

	<u>INTEREST</u>	
	<u>INCOME</u>	<u>EXPENSE</u>
General Fund	\$ 1,915	\$ 192
Major Street Fund	177	0
Local Street Fund	97	0
Water Fund	<u>2,589</u>	<u>21,376</u>
	\$ <u>4,778</u>	\$ <u>21,568</u>

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

**C. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Village participates in a pool of municipalities with the State of Michigan for self-insuring worker's compensation insurance through Michigan Municipal Worker's Compensation Fund. The Village pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Village has not been informed of any special assessments being required for the current year or the three prior years.

In addition, the Village carries commercial insurance to cover property and casualty, crime, general liability, errors and omissions, and fidelity bonds.

VILLAGE OF ELLSWORTH, MICHIGANGENERAL FUND  
COMPARATIVE BALANCE SHEETFEBRUARY 29,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Checking	\$ 71,939	\$ 51,109
Certificates of Deposit	53,747	53,747
Taxes Receivable	338	338
Due From Other Funds		
Water Fund	554	899
Local Streets	3,253	3,253
TOTAL ASSETS	<u>\$ 129,831</u>	<u>\$ 109,346</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 19,008	\$ 5,884
Payroll Withholdings Payable	386	408
Accrued Wages	5,020	4,592
Total Liabilities	\$ 24,414	\$ 10,884
<u>FUND BALANCE</u>		
Unreserved	105,417	98,462
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 129,831</u>	<u>\$ 109,346</u>

VILLAGE OF ELLSWORTH, MICHIGANGENERAL FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUDGET AND ACTUALYEAR ENDED FEBRUARY 29, 2004WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
<u>REVENUES - STATEMENT 3</u>			
Taxes	\$ 70,000	\$ 76,905	\$ 73,423
Licenses and Permits	450	350	635
Federal Grant	18,000	14,485	0
State Grants	50,825	52,767	56,893
Interest and Rents	44,950	48,927	51,641
Other Revenues	45,100	37,826	17,863
Total Revenues	<u>\$ 229,325</u>	<u>\$ 231,260</u>	<u>\$ 200,455</u>
<u>EXPENDITURES - STATEMENT 4</u>			
Legislative	\$ 47,180	\$ 55,409	\$ 7,856
General Government	110,710	106,351	143,951
Public Safety	2,100	1,132	983
Public Works	17,000	15,317	15,099
Community and Economic Development	4,300	2,387	3,929
Health and Welfare	3,500	3,500	3,659
Recreation and Cultural	20,025	18,540	19,188
Other Functions	12,450	13,932	12,404
Debt Service	7,055	6,037	10,673
Total Expenditures	<u>\$ 224,320</u>	<u>\$ 222,605</u>	<u>\$ 217,742</u>
Excess of Revenues Over (Under) Expenditures	\$ 5,005	\$ 8,655	\$ (17,287)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers Out	<u>0</u>	<u>(1,700)</u>	<u>(1,700)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 5,005	\$ 6,955	\$ (18,987)
<u>FUND BALANCE - Beginning of Year</u>	<u>85,000</u>	<u>98,462</u>	<u>117,449</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 90,005</u>	<u>\$ 105,417</u>	<u>\$ 98,462</u>

VILLAGE OF ELLSWORTH, MICHIGANGENERAL FUND  
ANALYSIS OF REVENUESYEAR ENDED FEBRUARY 29, 2004REVENUES

## Taxes

Current Taxes	\$ 76,104	
Penalty and Interest	5	
Property Tax Administration Fee	<u>796</u>	

Total Taxes		\$ 76,905
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## Licenses and Permits

Zoning Permits and Fees		350
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## Federal Grant

Community Development Block Grant		14,485
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## State Grants

Sales Tax	\$ 51,302	
Metro Act 48	640	
Liquor Licenses	<u>825</u>	

Total State Grants		52,767
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## Interest and Rents

Interest	\$ 1,915	
Equipment Rental	19,267	
Park Rental	<u>27,745</u>	

Total Interest and Rents		48,927
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## Other Revenue

Donations from Private Sources	\$ 17,395	
Contributions from Local Governments	20,000	
Miscellaneous	<u>431</u>	

Total Other Revenues		<u>37,826</u>
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TOTAL REVENUES		<u><u>\$ 231,260</u></u>
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VILLAGE OF ELLSWORTH, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURESYEAR ENDED FEBRUARY 29, 2004EXPENDITURES

## Legislative

## Village Council

## Personal Services

Salaries and Wages \$ 2,830

## Other Services and Charges

Professional Services 50,545

Printing and Publishing 592

Memberships and Dues 581

Miscellaneous 861

Total Legislative \$ 55,409

## General Government

## Elections

## Other Services and Charges

Contracted Services \$ 330

Printing and Publishing 89 \$ 419

## Clerk's Office

## Personal Services

Salaries and Wages \$ 5,201

## Supplies

Office Supplies 1,134

## Other Services and Charges

Communication 776 7,111

## Treasurer's Office

## Personal Services

Salaries and Wages \$ 2,935

## Other Services and Charges

Contracted Services 159 3,094

## Building and Grounds

## Personal Services

Salaries and Wages \$ 35,209

## Supplies

Operating Supplies 6,659

VILLAGE OF ELLSWORTH, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURESYEAR ENDED FEBRUARY 29, 2004

Other Services and Charges			
Repairs and Maintenance	10,266		
Contracted Services	9,731		
Laundry	517		
Communication	168		
Snow Removal	4,423		
Capital Outlay	<u>28,754</u>	<u>95,727</u>	
Total General Government			106,351
Public Safety			
Police Department			
Personal Services			
Salaries and Wages		\$ 587	
Supplies			
Operating Supplies		496	
Other Services and Charges			
Repair and Maintenance		<u>49</u>	
Total Public Safety			1,132
Public Works			
Department of Public Works			
Hydrant Rental		\$ 5,000	
Street Lighting			
Other Services and Charges			
Public Utilities		<u>10,317</u>	
Total Public Works			15,317
Community and Economic Development			
Planning Commission			
Supplies			
Office Supplies		\$ 87	
Other Services and Charges			
Contracted Services		<u>2,300</u>	
Total Community and Economic Development			2,387

VILLAGE OF ELLSWORTH, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURESYEAR ENDED FEBRUARY 29, 2004

## Health and Welfare

## Ambulance

Other Services and Charges

Contracted Services

3,500

## Recreation and Cultural

## Parks

## Personal Services

Salaries and Wages

\$ 3,717

## Supplies

Operating Supplies

503

## Other Services and Charges

Utilities

3,196

Repair and Maintenance

3,501

Laundry

16

Communications

572

Printing and Publishing

95

Contracted Services

3,561

Miscellaneous - Other

2,394

Capital Outlay

985

## Total Recreation and Cultural

18,540

## Other Functions

## Fringe Benefits

Social Security and Medicare

\$ 2,073

Health and Life Insurance

1,100

Worker's Compensation

1,546

Michigan Employment Security Commission

6

\$ 4,725

## Insurance and Bonds

9,207

## Total Other Functions

13,932

VILLAGE OF ELLSWORTH, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURESYEAR ENDED FEBRUARY 29, 2004

Debt Service		
Equipment Contract Principal	\$	5,845
Interest Charges		<u>192</u>
Total Debt Service		<u>6,037</u>
TOTAL EXPENDITURES	\$	222,605
<u>OTHER FINANCING USES</u>		
Operating Transfers Out		
Recreation Fund		<u>1,700</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$	<u><u>224,305</u></u>

VILLAGE OF ELLSWORTH, MICHIGANSPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEETFEBRUARY 29, 2004

	MAJOR STREET FUND	LOCAL STREET FUND	RECREATION FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 36,467	\$ 1,539	\$ 662	\$ 38,668
Due from Other Governmental Units	16,049	3,756	0	19,805
Due from Other Funds	0	5,000	0	5,000
TOTAL ASSETS	<u>\$ 52,516</u>	<u>\$ 10,295</u>	<u>\$ 662</u>	<u>\$ 63,473</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 594	\$ 449	\$ 0	\$ 1,043
Due to Other Funds	5,000	3,253	0	8,253
Total Liabilities	<u>\$ 5,594</u>	<u>\$ 3,702</u>	<u>\$ 0</u>	<u>\$ 9,296</u>
<u>FUND BALANCE</u>				
Reserved for Recreation Programs	\$ 0	\$ 0	\$ 662	\$ 662
Unreserved	46,922	6,593	0	53,515
Total Fund Balance	<u>\$ 46,922</u>	<u>\$ 6,593</u>	<u>\$ 662</u>	<u>\$ 54,177</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 52,516</u>	<u>\$ 10,295</u>	<u>\$ 662</u>	<u>\$ 63,473</u>

VILLAGE OF ELLSWORTH, MICHIGANSPECIAL REVENUE FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCESYEAR ENDED FEBRUARY 29, 2004

	MAJOR STREET FUND	LOCAL STREET FUND	RECREATION FUND	TOTALS
<u>REVENUES</u>				
State Grants	\$ 55,658	\$ 14,934	\$ 0	\$ 70,592
Contributions from Local Units	0	0	3,000	3,000
Charges for Services	0	0	431	431
Interest and Rents	177	97	0	274
Other Revenues	0	0	850	850
Total Revenues	\$ 55,835	\$ 15,031	\$ 4,281	\$ 75,147
<u>EXPENDITURES</u>				
Public Works	\$ 32,662	\$ 13,453	\$ 0	\$ 46,115
Recreation	0	0	7,352	7,352
Total Expenditures	\$ 32,662	\$ 13,453	\$ 7,352	\$ 53,467
Excess of Revenues Over (Under) Expenditures	\$ 23,173	\$ 1,578	\$ (3,071)	\$ 21,680
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In (Out)	(5,000)	5,000	1,700	1,700
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 18,173	\$ 6,578	\$ (1,371)	\$ 23,380
<u>FUND BALANCE - Beginning of Year</u>	28,749	15	2,033	30,797
<u>FUND BALANCE - End of Year</u>	\$ 46,922	\$ 6,593	\$ 662	\$ 54,177

VILLAGE OF ELLSWORTH, MICHIGANMAJOR STREET FUND  
COMPARATIVE BALANCE SHEETFEBRUARY 29,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Checking	\$ 36,467	\$ 16,099
Due from Other Governmental Units	16,049	13,078
TOTAL ASSETS	<u>\$ 52,516</u>	<u>\$ 29,177</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 594	\$ 428
Due to Other Funds	5,000	0
TOTAL LIABILITIES	\$ 5,594	\$ 428
<u>FUND BALANCE</u>		
Unreserved	46,922	28,749
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 52,516</u>	<u>\$ 29,177</u>

VILLAGE OF ELLSWORTH, MICHIGANMAJOR STREET FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUDGET AND ACTUALYEAR ENDED FEBRUARY 29, 2004WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>			
State Grants			
Act 51 Distributions	\$ 50,000	\$ 55,658	\$ 50,751
Interest and Rents			
Interest	175	177	175
Total Revenues	<u>\$ 50,175</u>	<u>\$ 55,835</u>	<u>\$ 50,926</u>
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Personal Services			
Salaries and Wages	\$ 3,500	\$ 2,089	\$ 2,899
Employee Benefits	170	160	222
Supplies			
Materials and Supplies	2,000	665	1,864
Other Services and Charges			
Contract Labor and Services	4,000	2,238	15,286
Equipment Rentals	4,000	2,700	1,883
Winter Maintenance			
Personal Services			
Salaries and Wages	5,000	4,414	4,680
Employee Benefits	330	321	348
Supplies			
Materials and Supplies	3,000	818	1,860
Other Services and Charges			
Contract Labor and Services	500	221	658
Equipment Rentals	15,000	17,885	17,891

VILLAGE OF ELLSWORTH, MICHIGAN

MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
Signs and Signals			
Supplies			
Materials and Supplies	100	468	0
Other Services and Charges			
Utilities	100	83	91
Administration and General			
Personal Services			
Salaries and Wages	300	300	300
Other Services and Charges			
Audit and Other	300	300	300
	<u>300</u>	<u>300</u>	<u>300</u>
Total Expenditures	\$ 38,300	\$ 32,662	\$ 48,282
Excess of Revenues Over (Under) Expenditures	\$ 11,875	\$ 23,173	\$ 2,644
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers Out			
Local Street Fund	(5,000)	(5,000)	0
	<u>(5,000)</u>	<u>(5,000)</u>	<u>0</u>
Excess of Revenues Over (Under)			
Expenditures and Other Uses	\$ 6,875	\$ 18,173	\$ 2,644
<u>FUND BALANCE</u> - Beginning of Year	27,000	28,749	26,105
<u>FUND BALANCE</u> - End of Year	<u>\$ 33,875</u>	<u>\$ 46,922</u>	<u>\$ 28,749</u>

VILLAGE OF ELLSWORTH, MICHIGANLOCAL STREET FUND  
COMPARATIVE BALANCE SHEETFEBRUARY 29,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Checking	\$ 1,539	\$ 702
Due from Other Governmental Units	3,756	2,906
Due from Other Funds	5,000	0
TOTAL ASSETS	<u>\$ 10,295</u>	<u>\$ 3,608</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 449	\$ 340
Due to Other Funds		
General Fund	3,253	3,253
Total Liabilities	\$ 3,702	\$ 3,593
<u>FUND BALANCE</u>		
Unreserved	6,593	15
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,295</u>	<u>\$ 3,608</u>

VILLAGE OF ELLSWORTH, MICHIGAN

LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
<b><u>REVENUES</u></b>			
State Grants			
Act 51 Distributions	\$ 14,000	\$ 14,934	\$ 13,673
Interest and Rents			
Interest	<u>100</u>	<u>97</u>	<u>118</u>
Total Revenues	<u>\$ 14,100</u>	<u>\$ 15,031</u>	<u>\$ 13,791</u>
<b><u>EXPENDITURES</u></b>			
Public Works			
Routine Maintenance			
Personal Services			
Salaries and Wages	\$ 1,500	\$ 1,165	\$ 1,300
Fringe Benefits	125	89	99
Supplies			
Operating Supplies	700	422	621
Other Services and Charges			
Equipment Rental	1,200	851	628
Contracted Services	2,300	2,415	6,863
Winter Maintenance			
Personal Services			
Salaries and Wages	1,500	1,492	1,590
Fringe Benefits	125	104	119
Supplies			
Operating Supplies	1,000	273	620
Other Services and Charges			
Equipment Rental	5,000	5,961	5,963
Contracted Services	200	74	219

VILLAGE OF ELLSWORTH, MICHIGANLOCAL STREET FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUALYEAR ENDED FEBRUARY 29, 2004WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
Signs and Signals			
Supplies			
Materials and Supplies	100	0	0
Other Services and Charges			
Utilities	0	7	0
Administration and General			
Personal Services			
Salaries and Wages	300	300	300
Other Services and Charges			
Audit and Other	300	300	300
Total Expenditures	<u>\$ 14,350</u>	<u>\$ 13,453</u>	<u>\$ 18,622</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (250)</u>	<u>\$ 1,578</u>	<u>\$ (4,831)</u>
<u>OTHER FINANCING SOURCES</u>			
Operating Transfers In			
Major Street Fund	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Excess of Revenues and Other Sources			
Over (Under) Expenditures	<u>\$ 4,750</u>	<u>\$ 6,578</u>	<u>\$ (4,831)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>400</u>	<u>15</u>	<u>4,846</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 5,150</u>	<u>\$ 6,593</u>	<u>\$ 15</u>

VILLAGE OF ELLSWORTH, MICHIGANRECREATION FUND  
COMPARATIVE BALANCE SHEETFEBRUARY 29,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Checking	<u>\$        662</u>	<u>\$      2,033</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$          0	\$          0
<u>FUND BALANCE</u>		
Reserved for Recreation Programs	<u>662</u>	<u>2,033</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$        662</u>	 <u>\$      2,033</u>

VILLAGE OF ELLSWORTH, MICHIGANRECREATION FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUALYEAR ENDED FEBRUARY 29, 2004WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>			
Contributions from Local Units			
Banks Township	\$ 3,000	\$ 3,000	\$ 3,000
Charges for Services			
Recreation Entry Fees	431	431	275
Other Revenues			
Contributions and Field Rental	850	850	325
Total Revenues	<u>\$ 4,281</u>	<u>\$ 4,281</u>	<u>\$ 3,600</u>
<u>EXPENDITURES</u>			
Summer Recreation			
Supplies			
Uniforms	\$ 1,131	\$ 1,299	\$ 345
Athletic Supplies	700	835	400
Other Services and Charges			
Contracted Services			
Recreation Directors	1,500	1,500	1,400
Umpires	825	975	800
Transportation and Expense	600	600	400
Field Maintenance	1,150	1,140	579
Miscellaneous			
League Dues and Fees	50	99	30
Field Set Up	500	701	360
Other	400	203	619
Total Expenditures	<u>\$ 6,856</u>	<u>\$ 7,352</u>	<u>\$ 4,933</u>
Excess of Revenues Over (Under) Expenditures	\$ (2,575)	\$ (3,071)	\$ (1,333)

VILLAGE OF ELLSWORTH, MICHIGANRECREATION FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUALYEAR ENDED FEBRUARY 29, 2004WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2003

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
<u>OTHER FINANCING SOURCES</u>			
Operating Transfers In			
General Fund	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>
Excess of Revenues and Other Sources			
Over (Under) Expenditures	\$ (875)	\$ (1,371)	\$ 367
<u>FUND BALANCE</u> - Beginning of Year	<u>1,900</u>	<u>2,033</u>	<u>1,666</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,025</u>	<u>\$ 662</u>	<u>\$ 2,033</u>

VILLAGE OF ELLSWORTH, MICHIGANWATER FUND  
COMPARATIVE BALANCE SHEETFEBRUARY 29,

		<u>2004</u>	<u>2003</u>
	<u>ASSETS</u>		
<u>CURRENT ASSETS</u>			
Cash			
Checking		\$ 26,871	\$ 58,793
Certificate of Deposit		27,385	24,085
Accounts Receivable		5,893	6,431
Inventory		2,000	2,000
Total Current Assets		<u>\$ 62,149</u>	<u>\$ 91,309</u>
<u>RESTRICTED ASSETS</u>			
Deposits			
Bond and Interest Redemption Fund		\$ 25,000	\$ 25,000
Bond Reserve Account		36,486	37,439
Special Purpose Account		5,001	5,001
Total Restricted Assets		<u>\$ 66,487</u>	<u>\$ 67,440</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>			
Buildings		\$ 29,337	\$ 29,337
Machinery and Equipment		50,643	50,643
Water Systems		1,156,172	1,130,874
Total		<u>\$ 1,236,152</u>	<u>\$ 1,210,854</u>
Less Accumulated Depreciation		<u>480,475</u>	<u>452,489</u>
Net Property, Plant and Equipment		<u>\$ 1,716,627</u>	<u>\$ 758,365</u>
TOTAL ASSETS		<u><u>\$ 884,313</u></u>	<u><u>\$ 917,114</u></u>

VILLAGE OF ELLSWORTH, MICHIGANWATER FUND  
COMPARATIVE BALANCE SHEETFEBRUARY 29,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 610	\$ 1,424
Salaries Payable	554	695
Due to General Fund	553	899
Revenue Bonds Payable - Current Portion	7,000	6,000
Equipment Contract Payable - Current Portion	10,783	10,783
Total Current Liabilities	<u>\$ 19,500</u>	<u>\$ 19,801</u>
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable - Net of Current Portion	\$ 339,000	\$ 346,000
Equipment Contract Payable - Net of Current Portion	0	10,783
Total Long-Term Liabilities	<u>\$ 339,000</u>	<u>\$ 356,783</u>
Total Liabilities	<u>\$ 358,501</u>	<u>\$ 376,584</u>
<u>FUND EQUITY</u>		
Contributed Capital		
Municipality	\$ 5,853	\$ 5,853
Federal Government	486,406	499,350
Retained Earnings	33,554	35,327
Total Fund Equity	<u>\$ 525,813</u>	<u>\$ 540,530</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 884,313</u>	<u>\$ 917,114</u>

VILLAGE OF ELLSWORTH, MICHIGANWATER FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGSYEAR ENDED FEBRUARY 29,

	2004	2003
<u>OPERATING REVENUES</u>		
Charges for Services		
Sales	\$ 60,742	\$ 59,916
Other Revenue		
Hydrant Rental	5,000	5,000
Equipment Rental	8,441	6,457
New Service Fees	500	1,000
Repairs	839	449
Lot Sale-Hillman	1,000	0
DEQ Grant	7,673	2,250
Total Operating Revenues	<u>\$ 84,195</u>	<u>\$ 75,072</u>
<u>OPERATING EXPENSES</u>		
Administration and General		
Personal Services		
Salaries and Wages	\$ 5,202	\$ 5,462
Fringe Benefits	398	417
Supplies		
Office and Computer Supplies	946	536
Other Services and Charges		
Professional Fees	1,792	1,500
Telephone	2,562	2,031
Miscellaneous	385	0
Plant		
Personal Services		
Salaries and Wages	10,977	7,139
Fringe Benefits	847	462
Other Services and Charges		
Professional Services	17,700	7,115
Operating Supplies and Repairs	7,406	3,691
Utilities	3,761	3,595
Miscellaneous	164	713
Depreciation	27,985	26,299
Total Operating Expenses	<u>\$ 80,125</u>	<u>\$ 58,960</u>
Operating Income (Loss)	<u>\$ 4,070</u>	<u>\$ 16,112</u>

VILLAGE OF ELLSWORTH, MICHIGANWATER FUNDCOMPARATIVE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGSYEAR ENDED FEBRUARY 29,

	<u>2004</u>	<u>2003</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 2,589	\$ 4,597
Interest Expense	(21,376)	(21,744)
Total Nonoperating Revenues (Expenses)	\$ (18,787)	\$ (17,147)
Net Income (Loss)	\$ (14,717)	\$ (1,035)
Depreciation on Fixed Assets Acquired by Grants		
Shared Revenues Externally Restricted for Capital		
Acquisition and Construction that Reduces		
Contributed Capital	12,944	12,944
Increase (Decrease) in Retained Earnings	\$ (1,773)	\$ 11,909
<u>RETAINED EARNINGS</u> - Beginning of Year	35,327	23,418
<u>RETAINED EARNINGS</u> - End of Year	\$ 33,554	\$ 35,327

VILLAGE OF ELLSWORTH, MICHIGANCOMPARATIVE STATEMENT OF CHANGES IN RETAINED EARNINGS AND  
CONTRIBUTED CAPITALYEAR ENDED FEBRUARY 29,

	<u>2004</u>	<u>2003</u>
<u>RETAINED EARNINGS</u> - Beginning of Year	\$ 35,327	\$ 23,418
Net Income (Loss)	(14,717)	(1,035)
Depreciation on Fixed Assets Acquired by Grants and Shared Revenues Externally Restricted for Capital Acquisition and Construction that Reduces Contributed Capital	<u>12,944</u>	<u>12,944</u>
<u>RETAINED EARNINGS</u> - End of Year	<u>\$ 33,554</u>	<u>\$ 35,327</u>
<u>CONTRIBUTED CAPITAL</u> - Beginning of Year	\$ 505,203	\$ 518,147
Depreciation on property, plant and equipment acquired by Contributions	<u>(12,944)</u>	<u>(12,944)</u>
<u>CAPITAL CONTRIBUTIONS</u> - End of Year	<u>\$ 492,259</u>	<u>\$ 505,203</u>
<u>TOTAL EQUITY</u> - End of Year	<u>\$ 525,813</u>	<u>\$ 540,530</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ELLSWORTH, MICHIGANWATER FUND  
COMPARATIVE STATEMENT OF CASH FLOWSYEAR ENDED FEBRUARY 29,

	2004	2003
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Operating Income (Loss)	\$ 4,070	\$ 16,112
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 27,985	\$ 26,299
(Increase) Decrease in Current Assets		
Accounts Receivable	539	(867)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(814)	787
Salaries Payable	(141)	695
Due to Other Funds	(346)	899
Total Adjustments	\$ 27,223	\$ 27,813
Net Cash Provided by Operating Activities	\$ 31,293	\$ 43,925
Cash Flows from Capital and Related Financing Activities:		
Payment of Revenue Bond	\$ (6,000)	\$ (6,000)
Principal Payments - Equipment Contract	(10,783)	(10,785)
Equipment Loan Proceeds	0	32,350
Purchase of Equipment	0	(32,350)
Addition To Water System	(25,298)	0
Interest Payments	(21,376)	(21,744)
Net Cash Used for Capital and Related Financing Activities	\$ (63,457)	\$ (38,529)
Cash Flows from Investing Activities:		
Interest on Investments	\$ 2,589	\$ 4,597
Net Increase in Cash and Cash Equivalents	\$ (29,575)	\$ 9,993
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>150,318</u>	<u>140,325</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 120,743</u>	<u>\$ 150,318</u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE

FEBRUARY 29, 2004

<u>NAME OF ISSUE</u>	Water Supply System Revenue Bonds		
<u>DATE OF ISSUE</u>	November 1, 1985		
<u>PURPOSE</u>	To finance a portion of the cost of acquiring and constructing improvements to the Village's Water Supply System.		
<u>INTEREST PAYABLE</u>	September 1, and March 1, of each year		
<u>AMOUNT OF ISSUE</u>			\$ 410,000
<u>AMOUNT REDEEMED</u>			
Prior Years	\$ 58,000		
Current Year	<u>6,000</u>		<u>64,000</u>
<u>BALANCE OUTSTANDING</u> - February 29, 2004			<u>\$ 346,000</u>
<u>CALL PROVISIONS</u>	Principal installments are subject to prepayment prior to maturity, in inverse chronological order, at the option of the Village on any interest payment date on or after September 1, 1986, at par and accrued interest to date fixed for prepayment.		
<u>RATE OF INTEREST</u>	6.125% per annum on all maturities		

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2004	\$ 7,000	\$ 10,596	\$ 17,596
March 1, 2005		10,382	10,382
September 1, 2005	7,000	10,382	17,382
March 1, 2006		10,167	10,167

VILLAGE OF ELLSWORTH, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE

FEBRUARY 29, 2004

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2006	8,000	10,167	18,167
March 1, 2007		9,922	9,922
September 1, 2007	8,000	9,922	17,922
March 1, 2008		9,677	9,677
September 1, 2008	9,000	9,677	18,677
March 1, 2009		9,402	9,402
September 1, 2009	9,000	9,402	18,402
March 1, 2010		9,126	9,126
September 1, 2010	10,000	9,126	19,126
March 1, 2011		8,820	8,820
September 1, 2011	11,000	8,820	19,820
March 1, 2012		8,483	8,483
September 1, 2012	12,000	8,483	20,483
March 1, 2013		8,116	8,116
September 1, 2013	13,000	8,116	21,116
March 1, 2014		7,717	7,717
September 1, 2014	14,000	7,717	21,717
March 1, 2015		7,289	7,289
September 1, 2015	15,000	7,289	22,289
March 1, 2016		6,829	6,829
September 1, 2016	16,000	6,829	22,829
March 1, 2017		6,339	6,339
September 1, 2017	17,000	6,339	23,339
March 1, 2018		5,819	5,819
September 1, 2018	18,000	5,819	23,819
March 1, 2019		5,268	5,268
September 1, 2019	20,000	5,268	25,268
March 1, 2020		4,655	4,655
September 1, 2020	21,000	4,655	25,655
March 1, 2021		4,012	4,012
September 1, 2021	23,000	4,012	27,012
March 1, 2022		3,308	3,308
September 1, 2022	24,000	3,308	27,308
March 1, 2023		2,573	2,573
September 1, 2023	26,000	2,573	28,573
March 1, 2024		1,776	1,776

VILLAGE OF ELLSWORTH, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE

FEBRUARY 29, 2004

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2024	28,000	1,776	29,776
March 1, 2025		919	919
September 1, 2025	30,000	919	30,919
	<u>\$ 346,000</u>	<u>\$ 291,794</u>	<u>\$ 637,794</u>

VILLAGE OF ELLSWORTH, MICHIGAN

STATEMENT OF 2003 TAX ROLL  
YEAR ENDED FEBRUARY 29, 2004

TAXES ASSESSED (State Taxable Valuation \$6,918,616)

General Fund - 11.0000 Mills

\$ 76,104

TAXES COLLECTED

General Fund

65,607

TAXES RETURNED DELINQUENT

General Fund

\$ 10,497

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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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May 19, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the President and Village Council  
Village of Ellsworth  
Ellsworth, Michigan

We have audited the financial statements of the Village of Ellsworth, Michigan, as of and for the year ended February 29, 2004, and have issued our report thereon dated May 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Ellsworth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Ellsworth's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Ellsworth's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Letter of Reportable Conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described in the accompanying Letter of Reportable Conditions is not a material weakness.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

May 19, 2004

LETTER OF REPORTABLE CONDITIONS

To the Village Council  
Village of Ellsworth  
Ellsworth, Michigan

In planning and performing our audit of the general-purpose financial statements of the Village of Ellsworth, Michigan for the year ended February 29, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Village and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

This report is intended solely for the information and use of the Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

May 19, 2004

### LETTER OF COMMENTS AND RECOMMENDATIONS

To the Village Council  
Village of Ellsworth  
Ellsworth, Michigan

During the course of our audit of the general-purpose financial statements of the Village of Ellsworth, Michigan, for the year ended February 29, 2004, we noted the following items which we feel deserve comment:

#### Government Accounting Standards Board (GASB) Statement 34

GASB has issued its new financial accounting model for governmental entities. This pronouncement will become effective for The Village of Ellsworth for its fiscal year ending February 28, 2005. The most significant change will be the requirement to report cost and depreciation information for fixed assets such as roads, buildings, equipment and all Village owned assets. In order to implement the new standard in 2004-2005 fixed asset data must be available as of March 1, 2004. We have discussed this matter with Village Officials and steps are being taken to comply with this pronouncement.

#### Reportable Condition in Internal Controls

As part of our audit of the Village we considered the internal control structure in order to determine our auditing procedures. We are issuing a separate letter which addresses reportable conditions.

#### Recordkeeping

The overall accounting records were in good condition and in compliance with the state's uniform accounting system. We would like to commend the clerk for her fine effort.

Act 621 (Uniform Budgeting and Accounting Act)

The Recreation Fund expenditures exceeded the budgeted amount. Also, several items in the General Fund exceeded the budget. These overages were due to audit adjustments proposed and made after year-end.

Except as noted, we found appropriation resolution, budgets, and budget amendments to be timely prepared, documented and amended as required. We feel the Village has diligently attempted to comply with both the spirit and the intent of the budgeting process and is doing an excellent job in this area.

We wish to express our appreciation for the cooperation and courtesy extended to our staff by the Village clerk during the course of our audit. In addition, we would like to thank the Village Council for its continued confidence in our firm. If you have any questions relative to the preceding comments and recommendations, or other areas of your annual audit, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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